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2025

STATE OF THE INDUSTRY

R E P O R T

SUPPLY CHAIN | DEDICATED TRANSPORTATION | FLEET MANAGEMENT SOLUTIONS

SONAR



Que será, será

August 22, 2025 | 1 p.m. ET

Overview

July saw an unexpected drop in freight demand due to economic uncertainty and high inventories. The extended U.S.-China tariff truce hasn't significantly increased imports, as shippers are wary of policy shifts and weaker consumer spending. While peak season might reverse this trend, broader issues like construction slowdowns continue to hinder freight activity.

Truckload tender volumes were down 10-15% annually in June and July, with the Outbound Tender Volume Index down 14.6% year-over-year. Despite this, carriers managed capacity well, with rejection rates over 10% in some areas and stable spot rates. Accelerated restocking due to tariff truces could boost peak season, though volumes are currently down 2% from last month.

Rail intermodal volumes rose 5.1% year-to-date and a yearly 3.2% in July, driven by western railroads and rebounding port activity, despite economic challenges. Domestic volumes also increased a monthly 3.3%. The sector faces uncertainty due to merger speculation between Norfolk Southern and Union Pacific.

U.S. container import volumes surged 18.2% in July to 2.62 million TEUs (near 2022's record) due to tariff concerns and seasonal demand. However, trans-Pacific shipping rates continued to fall through July and August to December 2023's lows amid increased capacity. Leading indicators suggest a softening market, with volumes down 5.8% from 2024 and bookings down a monthly 10.7%.

July's U.S. economic signals were mixed: Sentiment contracted, but Q2 GDP grew 2.8% due to strong consumer spending. Trade saw

a 90-day U.S.-China ceasefire extension and tariffs on \$18 billion in Chinese imports (effective Sept. 27). The labor market softened with only 114,000 nonfarm jobs added and unemployment at 4.3%, though retail sales rose 0.5% over a strong June.

Macro indicators (y/y change)

July industrial prod. change	-0.1% (+1.4%)
July retail sales change	+0.5% (+3.9%)
July U.S. Class 8 orders	10,800 (+3%)
July U.S. trailer orders	6,400 (+59.6%)

Truckload indicators (y/y change)

Tender rejection rate	5.74% (+136 bps)
Average dry van spot rate ¹	\$2.27/mi (-0.4%)
LAX to DAL spot rate ²	\$2.34/mi (+3.1%)
CHI to ATL spot rate	\$2.49/mi (-9.5%)

Tender volumes (y/y change)

Atlanta	331.69 (-19%)
Dallas	336.47 (-3.6%)
Los Angeles	242.76 (-22.6%)
Chicago	173.31 (-18%)

Tender rejections (y/y change)

Atlanta	5.04% (+111 bps)
Dallas	6.71% (+283 bps)
Los Angeles	4.96% (-13 bps)
Chicago	7.22% (+274 bps)

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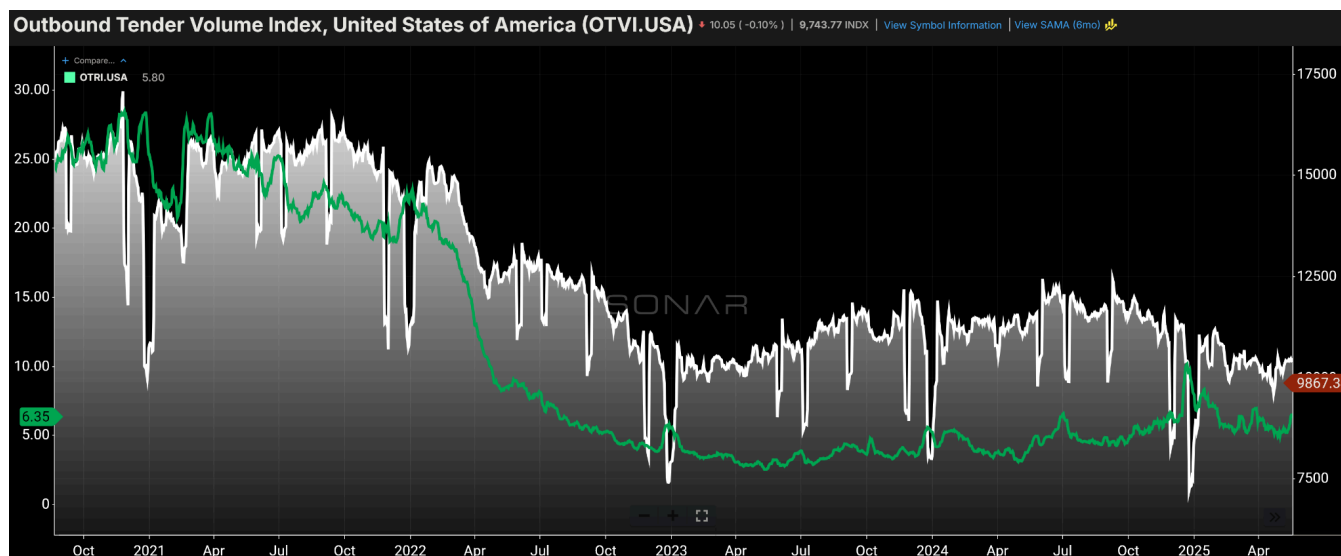
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¹ FreightWaves National Truckload Index

² FreightWaves TRAC spot rate

Truckload markets

Despite the recent 90-day extension of the U.S.-China tariff truce into November, truckload fundamentals remain weak. Demand suffered an unseasonal decline in July amid ongoing economic uncertainty and elevated inventory levels. Carriers, however, have continued to demonstrate some degree of strength in capacity management, as evidenced by peaking tender rejection rates — surpassing 10% in regions like the Southeast — and relative stability in spot rates, frustrating expectations of a broader market breakout.



Source: SONAR. Outbound Tender Volume Index (white, right axis) and Outbound Tender Rejection Index (green, left axis).

Truckload tender volumes remained stuck in a 10%-15% annual deficit throughout June and July, continuing a downturn that began earlier in the year. With the announcement of another extension on the pause of most Chinese tariffs (discussed in greater detail below), shippers now have an extended window for restocking efforts. Still, the expected influx of imports has yet to significantly boost volumes, likely due to cautious consumer spending and policy volatility. At present, the Outbound Tender Volume Index (OTVI) is down 14.6% year over year (y/y).

On a national scale, tender volumes have underperformed seasonal trends, declining in July when summer produce movements and retail restocking typically drive growth. Much of this weakness can be explained by the trucking industry's ongoing loss of share to intermodal, coupled with broader macroeconomic headwinds such as softening consumer spending and construction activity. If shippers accelerate restocking in the coming months amid the tariff truce, it might provide a lift to trucking's peak season. For now, OTVI is down 2% month over month (m/m).

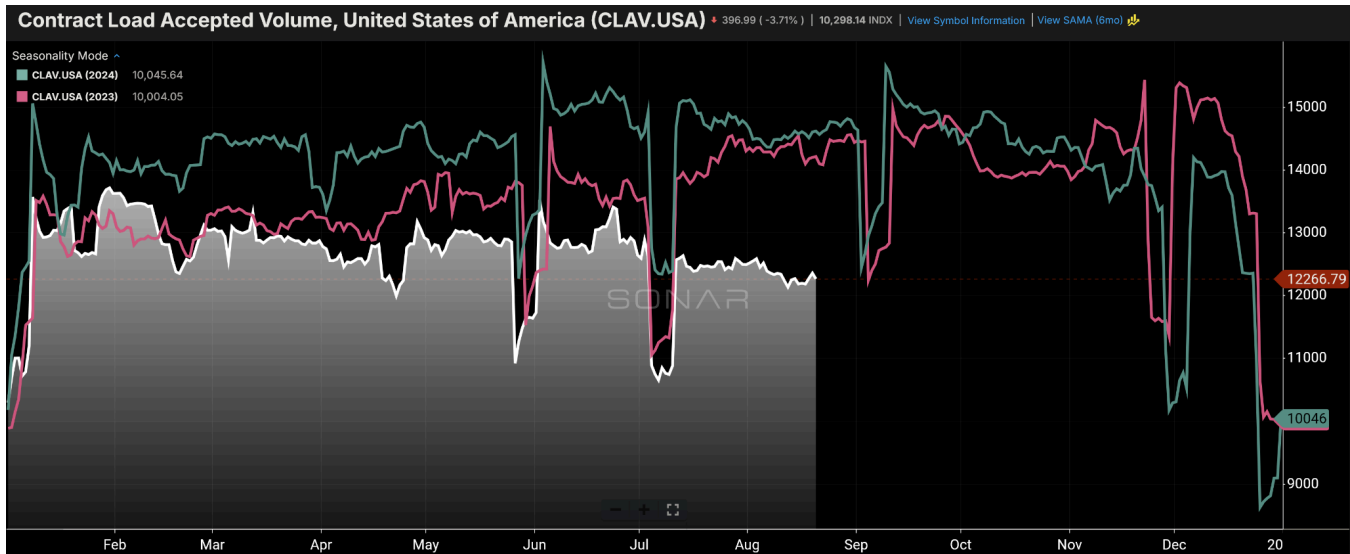
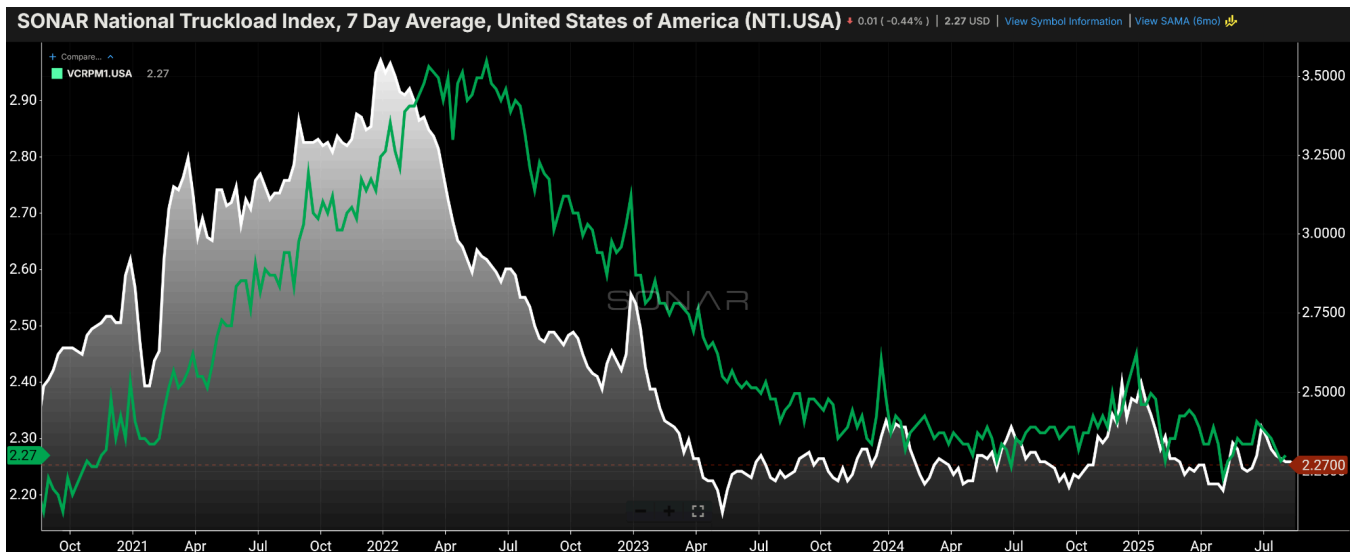


Chart: SONAR. Contract Load Accepted Volume: 2025 (white), 2024 (blue) and 2023 (pink).

Since OTVI accounts for both accepted and rejected tenders, it doesn't necessarily display true freight volume levels because of the inclusion of rejected tenders.

Contract Load Accepted Volume is an index that measures accepted load volumes moving under contractual agreements; in short, it is similar to OTVI but without the rejected tenders. At present, accepted tenders are down 15.8% y/y.

Peak season should arrest spot rates' decline



Source: SONAR. National Truckload Index (white, right axis) and initially reported dry van contract rates (green, left axis).

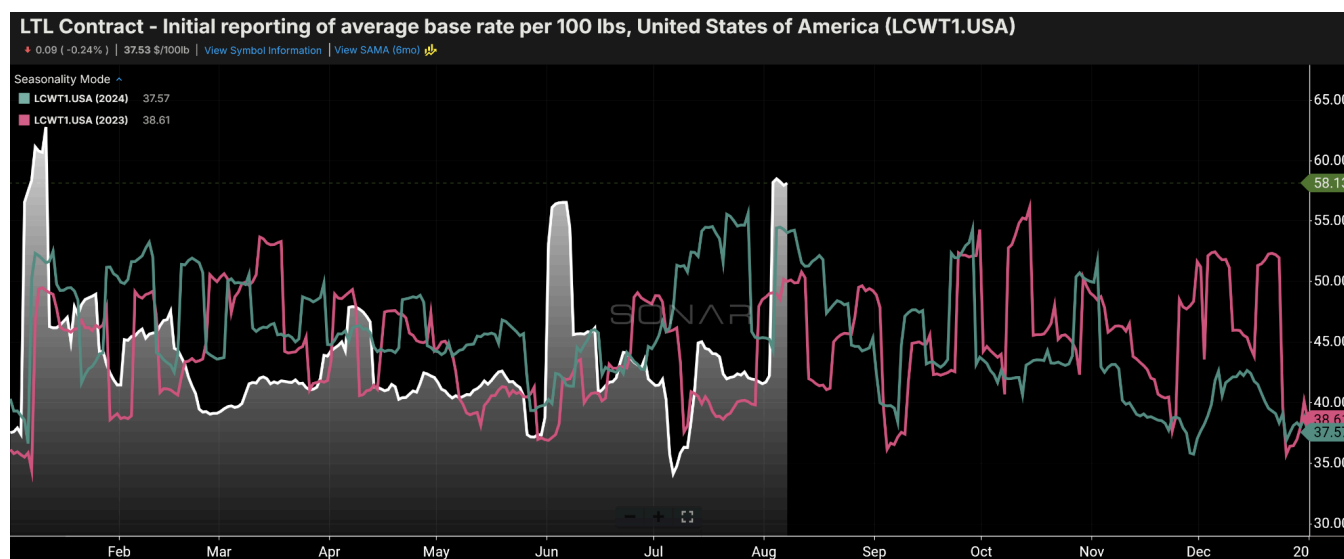
After capitalizing on the rally in late May (driven by the one-two punch of Memorial Day and Blitz Week), spot rates have been fairly resilient in the summer thus far. While July and August saw a

steep erosion of spot rates' holiday-fueled peaks, the national average has yet to return to the lows of late April and early May. Even in the most dismal years, trucking's peak season historically juices rates for at least a couple of months. Of course, in weaker years, this boost is hardly anything worth noting. Still, the important fact is that — at the bare minimum — spot rates' decline should be arrested (if not reversed) in the coming weeks.

The National Truckload Index (NTI) — a seven-day moving average of national dry van spot rates that is inclusive of fuel — has fallen considerably from July's Independence Day peak and is slightly negative on an annual basis, down 0.4% y/y to \$2.27 per mile.

Despite their depreciation over the past several quarters, contract rates — which are exclusive of fuel and other accessorials — are still higher than spot rates by a spread that is just outside a normal range. Although a number of enterprise carriers noted facing greater-than-expected pressure on contract rates in the most recent bid season, there appears to be little room for these rates to decline further. Rather, it is more probable that contract rates will persist in a holding pattern for the remainder of the year and even into 2026. For the time being, contract rates are also down 0.4% y/y at \$2.27 per mile.

For some brokerages, LTL is the golden goose



Source: SONAR. Initially reported LTL contract rate per hundredweight: 2025 (white), 2024 (blue) and 2023 (pink).

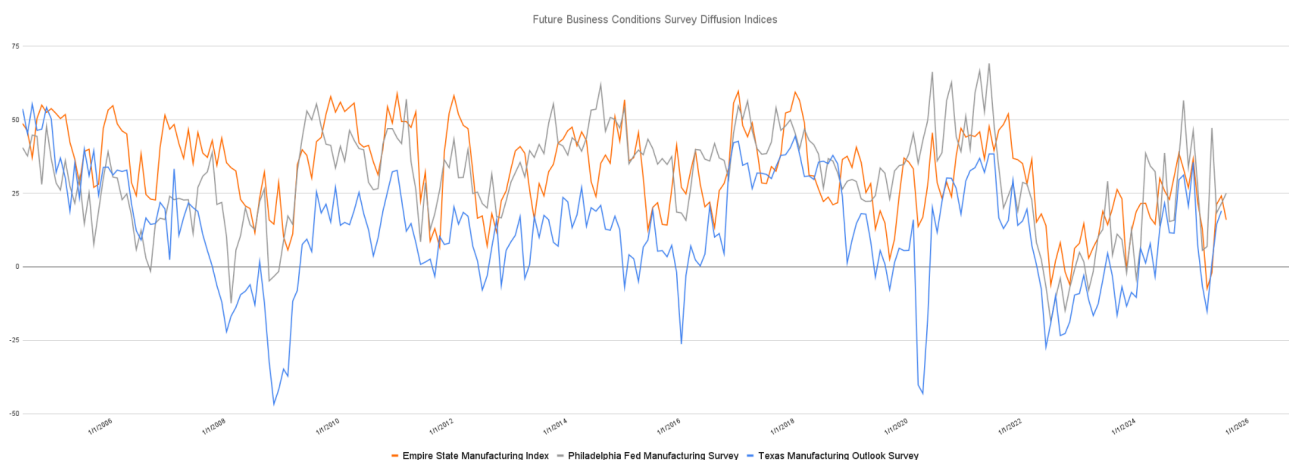
Growth in the less-than-truckload sector remains robust for some players despite broader market softness. One carrier's LTL brokerage volume surged 45% y/y in the second quarter, wildly outpacing its overall brokerage volume growth and the Cass Freight Index. The carrier aims to increase LTL's share of its business to over 50%, highlighting it as a stable, high-margin segment amid FTL's volatility.

At the time of writing, the average LTL contract rate has risen \$21.82 per hundredweight over the past month. Currently sitting at \$58.13 per hundredweight, shipping via LTL is 7.6% more expensive than it was a year ago.

The nation's largest less-than-truckload carrier is delaying enforcement of a new set of freight classification rules until December. The National Motor Freight Traffic Association, a nonprofit trade group, rolled out the final updates to its decades-old freight classification rating in late July. The revisions are moving the LTL industry toward a density-based coding system that is expected to more accurately align actual carrier costs with pricing. Still, this delay reflects the ongoing preparations across the sector, where carriers and 3PLs are educating customers to ensure a smooth transition to the new pricing system.

Macroeconomic conditions

Sentiment in the U.S. manufacturing sector showed mixed signals in the latest data, with regional surveys indicating improvement and stabilization while national indices pointed to continued contraction. Manufacturers appear cautiously optimistic about a potential recovery, though ongoing concerns over supply chain disruptions and input costs persist.



The August print of the Empire State Manufacturing Survey, conducted monthly by the Federal Reserve Bank of New York, saw its headline General Business Conditions Index rise 6.4 points m/m to 11.9, its highest reading in several months. The index, based on survey responses collected in early August, reflected modest growth in activity. This positive news was supported by gains in key components: The New Orders Index rose 13.4 points m/m to 15.4, pointing to increases in orders, while the Shipments Index held more or less steady at 12.2.

The July print of the Texas Manufacturing Outlook Survey, released by the Federal Reserve Bank of Dallas, showed signs of stabilization. The Current General Business Activity Index rose 13.6 points m/m to 0.9, up from -12.7 in June, marking a shift toward stability after five straight months of deteriorating conditions. The Production Index, a key measure of state manufacturing conditions, rose 20 points m/m to 21.3. Forward-looking indicators also improved, suggesting manufacturers anticipate better business activity in the coming six months, though respondents noted lingering uncertainty related to tariffs and broader economic headwinds.

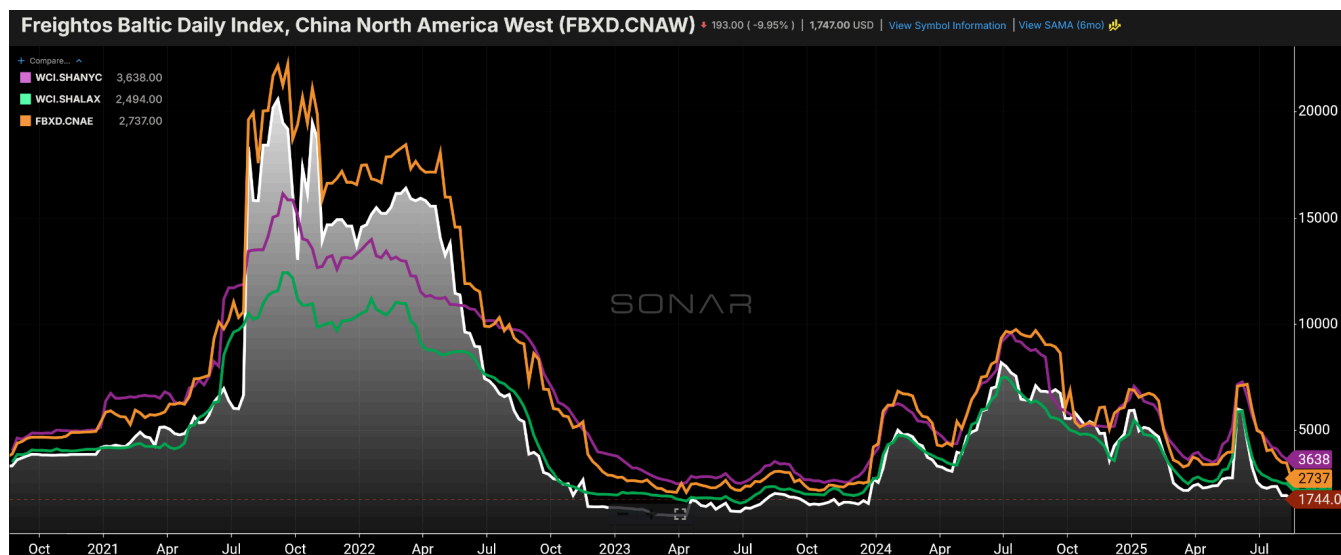
National sentiment indicators reflected ongoing challenges. The Institute for Supply Management's Manufacturing PMI fell to 48.0 in July, down one percentage point from June's 49.0, signaling continued contraction below the no-change mark of 50. The New Orders Index and Production Index, however, both saw slight growth but were unable to stanch the main index's decline. Of the industries surveyed, several contracted — including transportation equipment and fabricated metal products — while a few like primary metals showed growth.

Concurrent with this release was S&P Global's US Manufacturing PMI for July, which fell to 49.8 from June's 52.9, marking the first contraction of 2025 and hovering just below the threshold of 50. The decline was driven by softer new orders and output, with input costs rising amid concerns over tariffs. Chris Williamson, chief business economist at S&P Global Market Intelligence, commented: "The downturn at the start of the third quarter in part reflects the passing of a busy period of tariff-related inventory accumulation in prior months."

Turning now to the hard data, the industrial sector showed signs of softening. Industrial production fell 0.1% m/m in July after a 0.3% gain in June, below consensus expectations. Manufacturing output was flat in July after a 0.1% uptick in June. Yet this stasis owed much to a 0.3% m/m rise in durable goods production, with gains in electrical equipment, appliances, and components, aerospace and miscellaneous transportation equipment, and furniture and related products. Other durables, like primary metals, machinery, and motor vehicles and parts, posted declines of 0.3%. Capacity utilization for manufacturing edged down to 76.8%, while the total industry rate was 77.5%. There were minor revisions to prior months' data, such as June's manufacturing output revised down to a 0.1% m/m gain from 0.3%.

Maritime

Despite the U.S.' busiest ports posting record volumes in July, container shipping rates have continued their downward slide throughout July and much of August. The additional 90-day extension of the U.S.-China tariff ceasefire is unlikely to have a significant impact on shippers' behavior going forward, as they already took advantage of the initial 90-day window in which U.S. tariffs against China were heavily reduced to frontload goods. As such, container shipping rates are expected to decline further still as capacity increases.



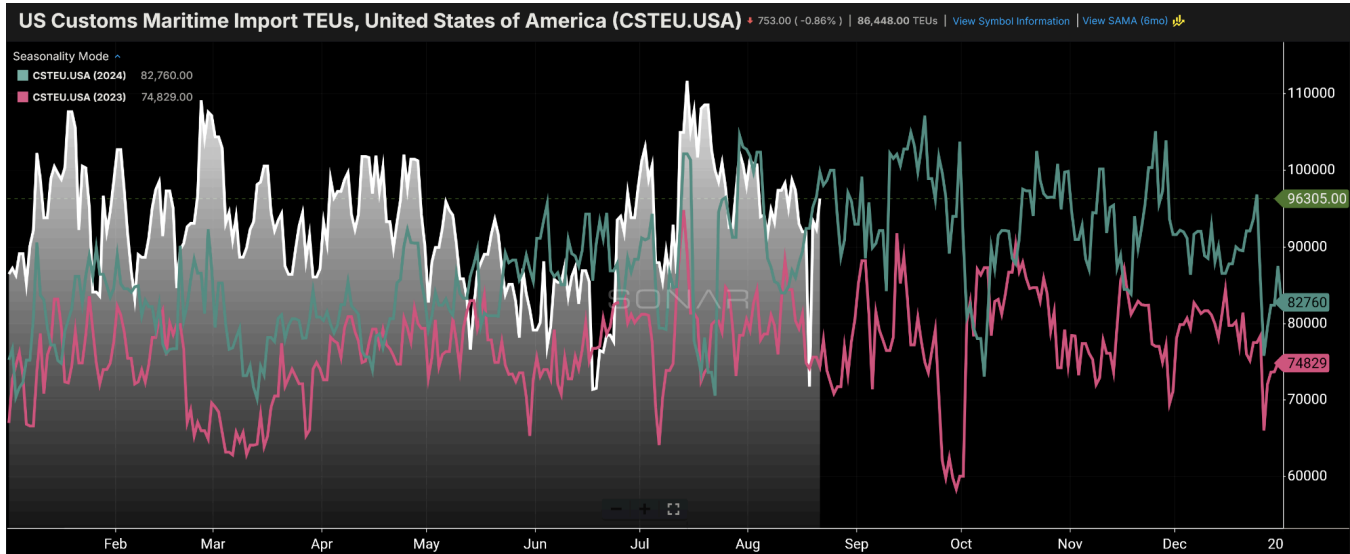
Source: SONAR. Freightos Baltic Daily Index: China to North American West Coast (white) and China to North American East Coast (orange). Drewry World Container Indexes: Shanghai to Los Angeles (green), Shanghai to New York (purple).

Imports have clearly been pressured by the Trump administration's end to the *de minimis* exemption, which allows imports valued less than \$800 to enter duty-free, as well as ongoing uncertainty over tariffs. Flat-rate fees of \$80-\$200 per item are expected to be enacted for less expensive imports. Punitive fees on China-linked vessels set to take effect later this year have led some lines to shuffle tonnage, which could have some effect on container flows as carriers bypass secondary ports and shippers leverage transshipments through other hubs as they reconfigure supply chains.

As mentioned above, trans-Pacific container rates continued to decline throughout August, bringing rates along many lanes to their lowest levels since December 2023.

The Freightos Baltic Daily Index from China to the North American East Coast has fallen 33% m/m to \$2,737 per 40-foot equivalent unit and is down 72% y/y. Spot rates from China to the North American West Coast have dropped 26% m/m to \$1,744 per FEU and are down 76% y/y — the largest annual decline among the four major indexes.

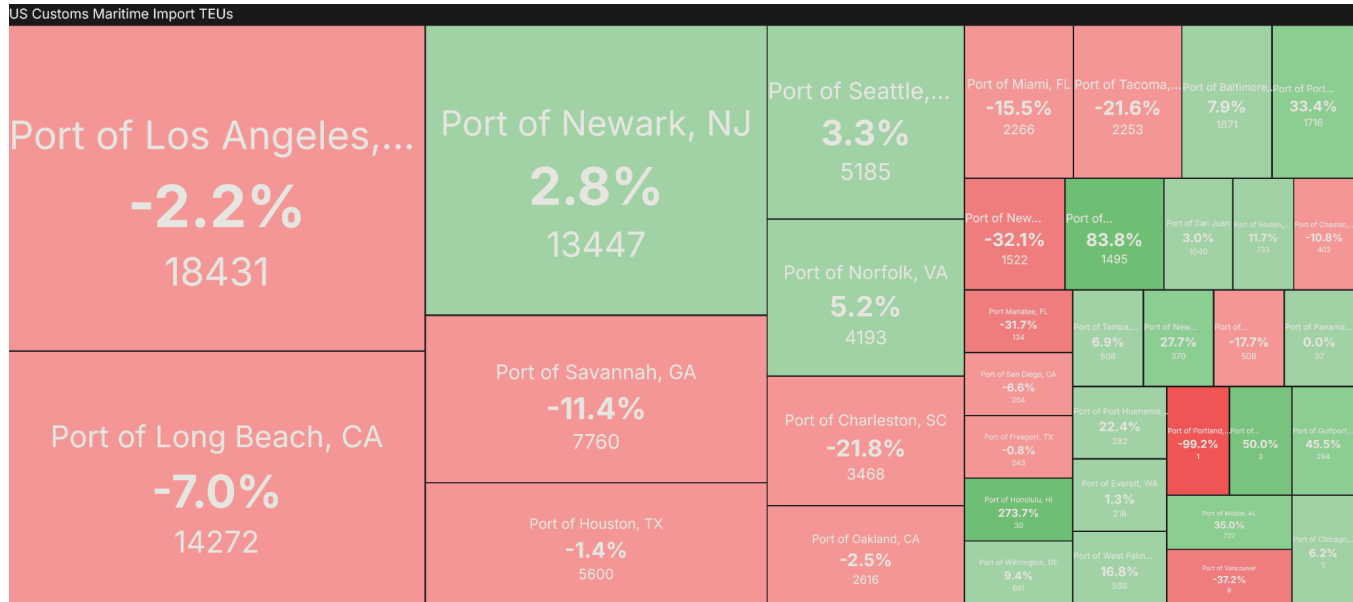
The Drewry World Container Index reflected somewhat less severe declines: The WCI from Shanghai to Los Angeles is down 7% m/m to \$2,494 per FEU but is down 61% y/y. The WCI from Shanghai to New York is down 14% m/m to \$3,638 per FEU and 59% y/y, mirroring the Freightos East Coast index.



Source: SONAR. U.S. Customs Maritime Import TEUs: 2025 (white), 2024 (blue) and 2023 (pink).

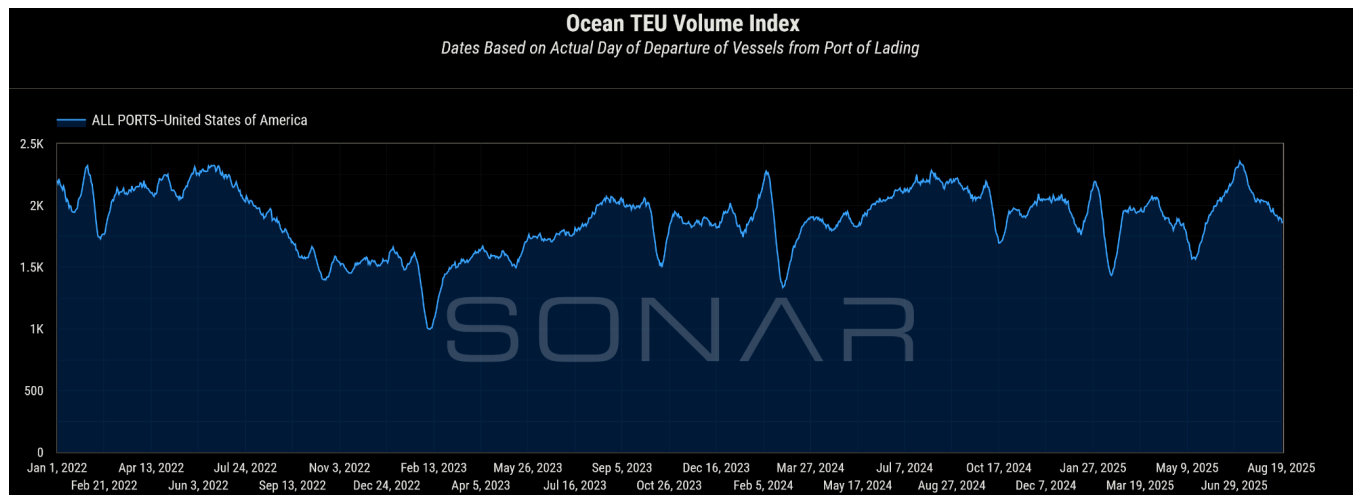
U.S. container import volumes surged in July, challenging even 2022's records as tariff anxiety and seasonal demand prompted frontloading, though leading indicators point to softening ahead. Volumes reached 2.62 million TEUs in July, up 18.2% m/m and 2.6% y/y, just shy of May 2022's all-time high. Imports from China, up 44.4% m/m, recovered sharply to comprise 35.2% of all U.S. imports, driven by the end of the *de minimis* exemptions.

The Port of Los Angeles handled a record 1.02 million TEUs in July, up 8.5% y/y, with loaded imports at 543,728 TEUs amid shippers racing against August's tariff deadlines. Top ports saw strong gains, including Miami (up 35.5% m/m) and Houston (up 34.2% m/m), with minimal transit delays. The National Retail Federation, however, forecasts 2025's imports ending 5.6% below 2024, citing tariff-driven price hikes and fewer goods overall. Indeed, July's spoils have already begun to wane in August: Compared with this time last month, 8.6% fewer TEUs are clearing U.S. ports. Relative to 2024, TEUs clearing U.S. ports are down 5.8%.



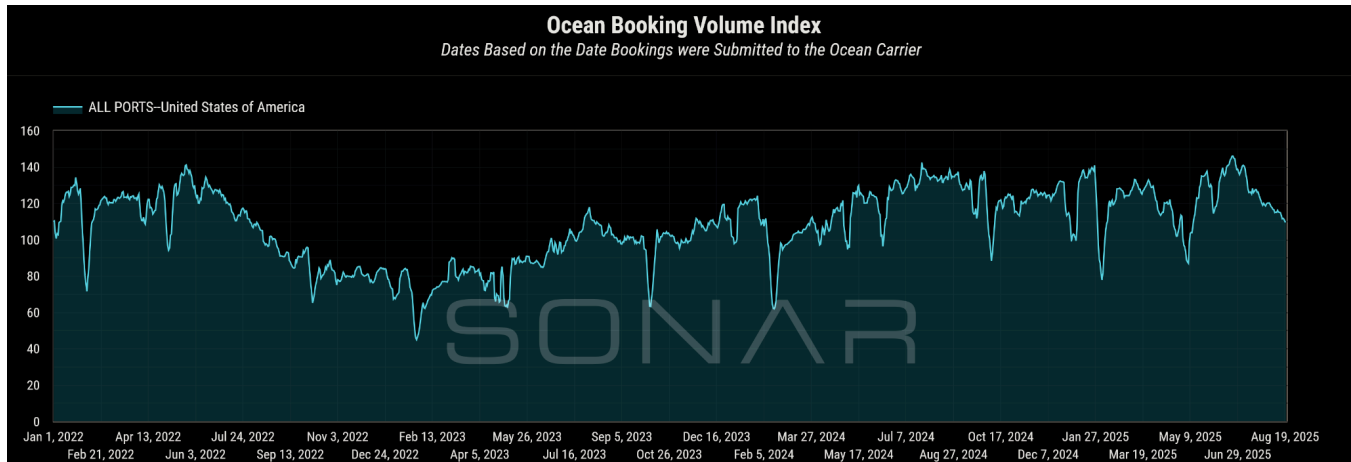
Source: SONAR. Maritime Import Shipments by Port — Tree Map.

With the exception of the Port of New York/New Jersey and the Port of Norfolk, Virginia — both East Coast ports — the largest U.S. ports are coming down from July's highs and are now facing difficult comps against 2024's more traditional peak season. Even on the East Coast, ports' yearly gains are marginal, indicating that the bulk of 2025's Q3 import volumes are well and truly behind them.



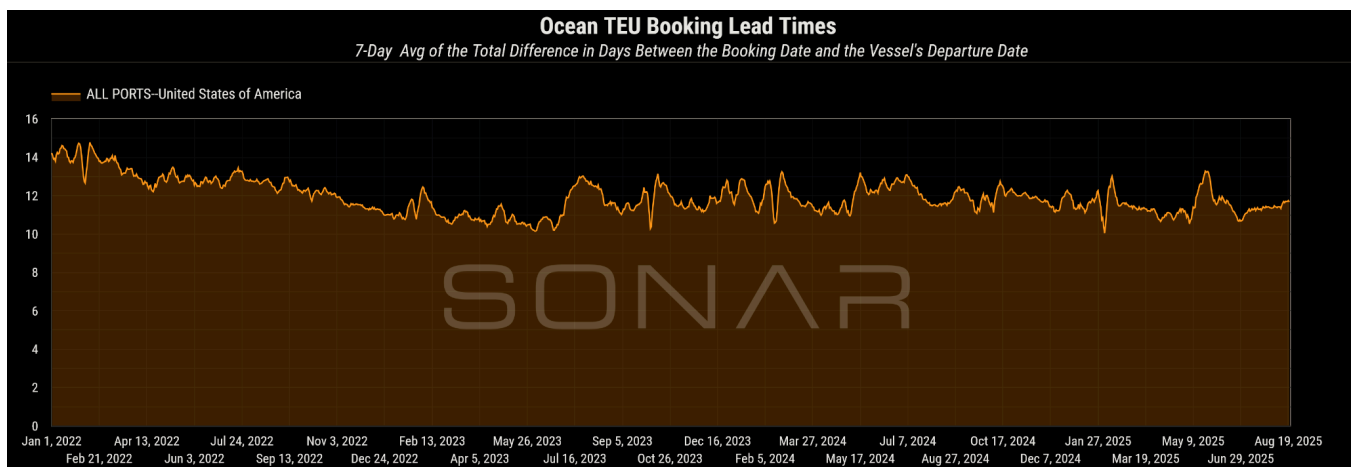
Source: SONAR Container Atlas. Ocean TEU Volume Index — all global ports to all U.S. ports.

The Ocean TEU Volume Index, a gauge of container trade from all global ports to all U.S. ports as TEUs leave origin ports, has seen July's gains evaporate completely and has returned to the levels of late May. Over the past month, the Ocean TEU Volume Index inbound to all U.S. ports has fallen 8.5%, with this year's peak season in the rearview mirror. Inbound TEU volumes are also down a more significant 14.3% y/y, reflecting the forward shift in seasonality compared to 2024.



Source: SONAR Container Atlas. Ocean Booking Volume Index — all global ports to all U.S. ports.

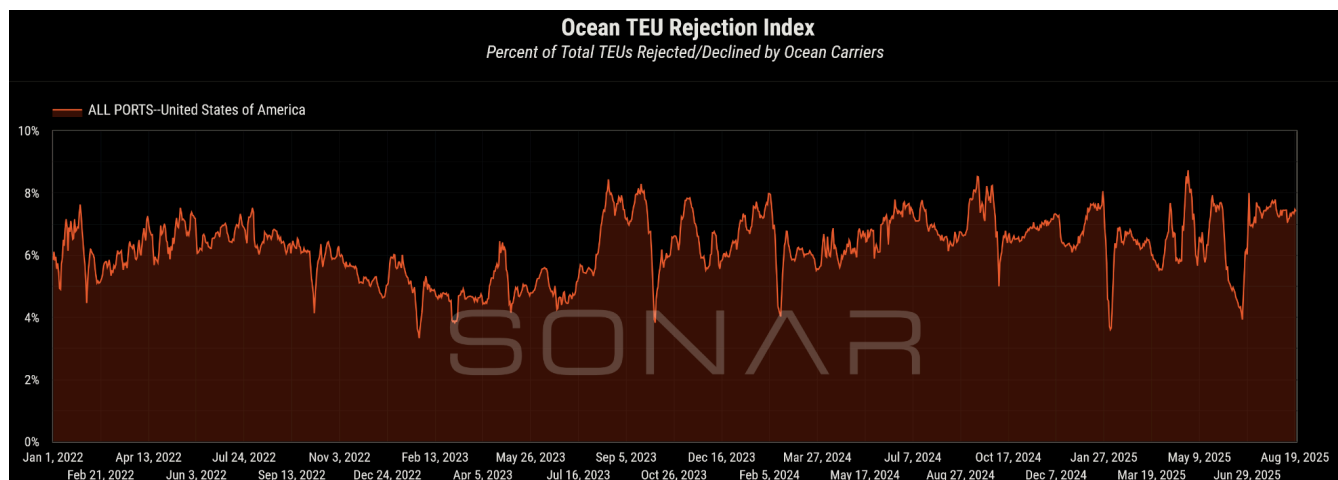
Further upstream, bookings appeared to have peaked in late June. This statement will likely remain true until deep into Q4, assuming a more permanent U.S.-China trade deal has been reached by that time. Relative to July, the Ocean Booking Volume Index is down a steep 10.7% m/m. Bookings are also down 18.3% y/y; in 2024, bookings to the U.S. peaked in late July rather than June.



Source: SONAR Container Atlas. TEU booking lead times — all global ports to all U.S. ports.

Ocean TEU Booking Lead Times finally found some stability after months of unusual volatility. The uncertainty surrounding U.S. trade policy has had the greatest impact on maritime lead times since the COVID import boom, which hardly feels like a fair comparison. Still, although they have found some stability, lead times are slightly shorter than they have been in recent years.

Shorter lead times can be interpreted a handful of ways, but the most likely explanation at present is that shippers are desperate to get their imports stateside while U.S.-China tensions are cooling. Merely the promise of a more permanent trade deal with China — especially one for which there has been no apparent progress in nearly two months — is unlikely to assuage shippers completely. Over the past month, booking lead times ticked up 2.1% to an average of around 11.7 days.



Source: SONAR Container Atlas. Ocean TEU Rejection Index — all global ports to all U.S. ports.

The Ocean TEU Rejection Index has rallied after bottoming out in June, signaling that ocean carriers are attempting to reassert (seemingly artificial) constraints on capacity to stanch their rapidly falling container rates. Whereas rejections plummeted in June as carriers struggled to accommodate a tidal wave of demand from Asia with capacity limited by the need to reroute vessels from the Strait of Hormuz, no such urgency is present as of late August. Over the past month, ocean TEU rejection rates have ticked down 15 bps to 7.41%, 96 bps higher than they were at the same time last year.

Rail intermodal

The intermodal market showed signs of resilience in July, with volumes rebounding despite broader economic headwinds. This uptick came amid a backdrop of concerning economic indicators, including stagnating consumer spending, disappointing job growth and renewed inflationary pressures. Still, intermodal shipments benefited from rebounding business inventories and resurgent port activity, even as the sector faces uncertainty from potential industry consolidation and service enhancements.

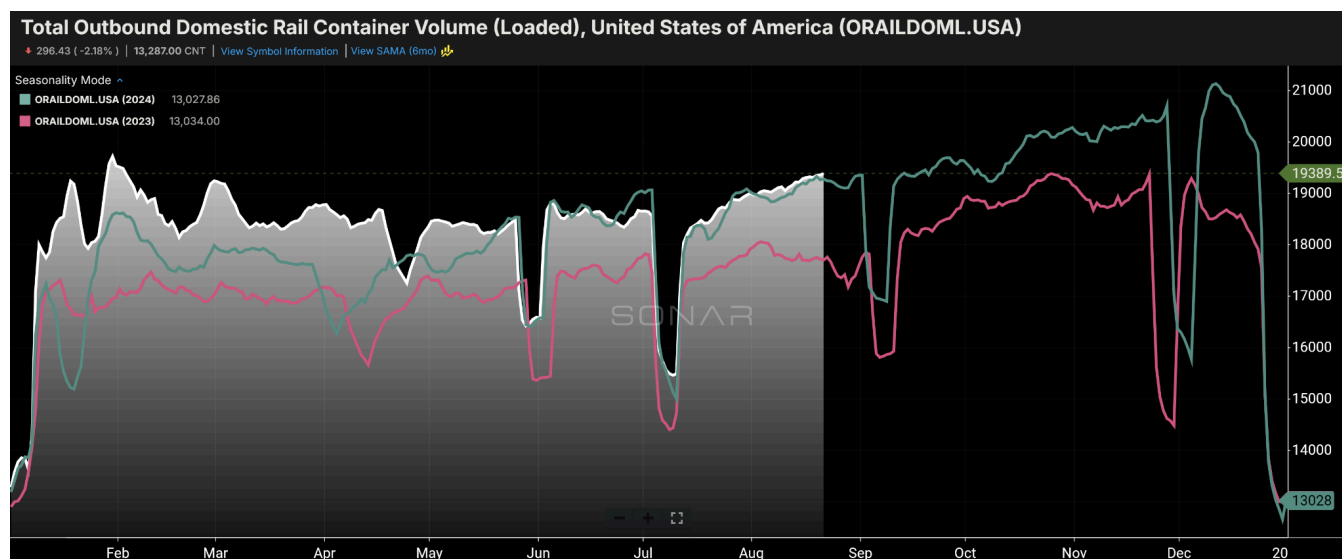


Chart: SONAR. Loaded domestic intermodal container volumes for 2025 (white), 2024 (blue) and 2023 (pink).

In the midst of merger talks with Norfolk Southern, Union Pacific is doubling down the lane from California's Inland Empire to Chicago. The rail announced that it would launch a new, high-priority Z-train domestic intermodal service along this lane in September, stating that this offering will be up to 20% faster "than current industry options" with a transit time of just over three days. This faster schedule is among several that the carrier has launched since late 2023, including services that link Mexico with Chicago and, via Canadian National, Detroit and some points in Canada.

Rail shippers have expressed caution over the proposed \$85 billion merger between Norfolk Southern and Union Pacific. The Freight Rail Customer Alliance cautioned that previous consolidations have led to higher rates, increased fees and unreliable service, with railroads retaining efficiencies from Precision Scheduled Railroading rather than passing them to customers. The deal, creating a 50,000-mile transcontinental system, promises up to 48 hours' reduction in dwell times but raises concerns for bulk shippers reliant on unit trains, potentially exacerbating market power in an industry shrunk from 40 Class I carriers in 1980 to six today.

Intermodal volumes have shown growth amid uncertainty, with year-to-date figures up 5.1% over 2024. July bounced back from June's unusual decline, with intermodal volumes up an average 3.2% y/y in the month. At present, intermodal volumes are down a slight 0.7% y/y but have risen 0.5% m/m. Western railroads are leading this current growth, with eastern carriers posting marginal gains if not a slight downturn.

International intermodal volumes (down 1.3% m/m but up 0.1% y/y), like the maritime market from which much of them are sourced, have likely seen their peak come and go already. Both the loaded (down 1.3% m/m; up 0.8% y/y) and empty international (down 1.5% m/m and 1.8% y/y) segments suffered from this hangover. Rand Ghayad, chief economist for the Association of American Railroads, summarized: "Rail volumes in recent months have remained relatively stable, but the near-term outlook remains challenging. The next few months will be critical in determining whether the economy regains its footing or slips further into stagnation."

Domestic intermodal volumes (up 3.3% m/m but flat y/y) are displaying more positive signals, with some carriers imposing regional surcharges on low-volume shippers to account for the recent uptick in demand. Loaded domestic volumes (up 3.3% m/m and 0.5% y/y) are edging out their empty counterparts (up 3.2% m/m; down 2.5% y/y) due to surprisingly stable activity in both the consumer and manufacturing spheres.

Intermodal spot rates erase July gains

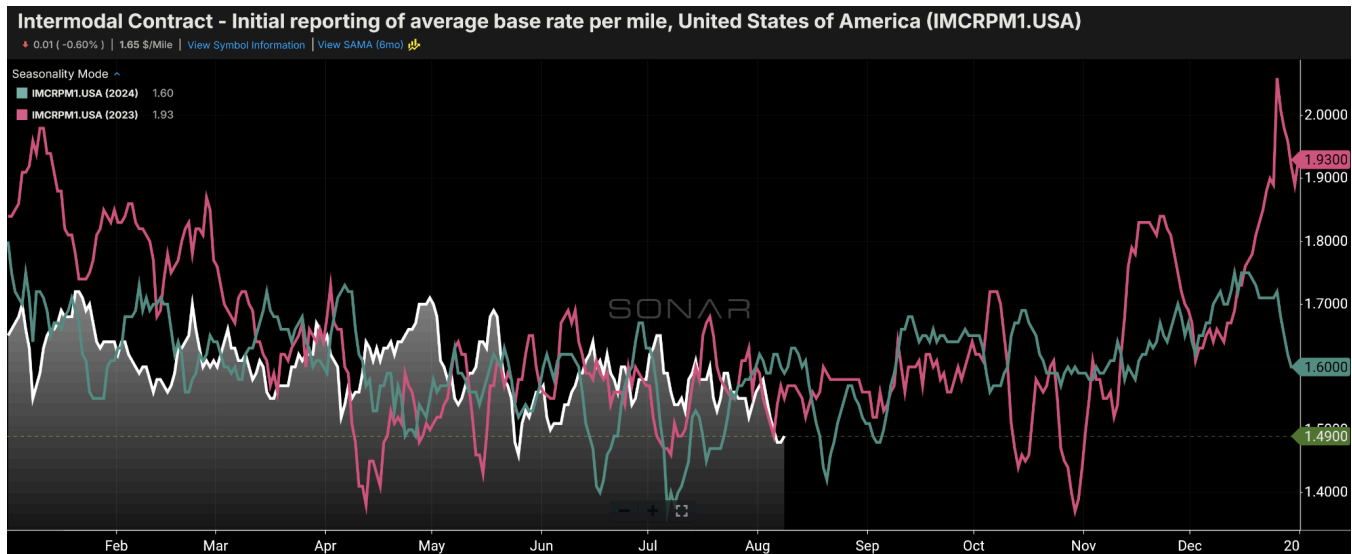


Chart: FreightWaves SONAR. Intermodal contract rates on a sample of domestic intermodal lanes in 2025 (white), 2024 (blue) and 2023 (pink).

For the most part, intermodal contract rates were tightly rangebound between \$1.50 and \$1.75 per mile in 2024. This trend has continued into 2025, though preliminary data suggest shorter peaks and wider valleys to be the defining feature of rates' natural fluctuations this year. Intermodal contract rates averaged \$1.57 per mile in July 2025, unchanged from June's \$1.59 per mile but up 7 cents from July 2024, as carriers balance competitive pricing with service improvements amid uncertain volumes.

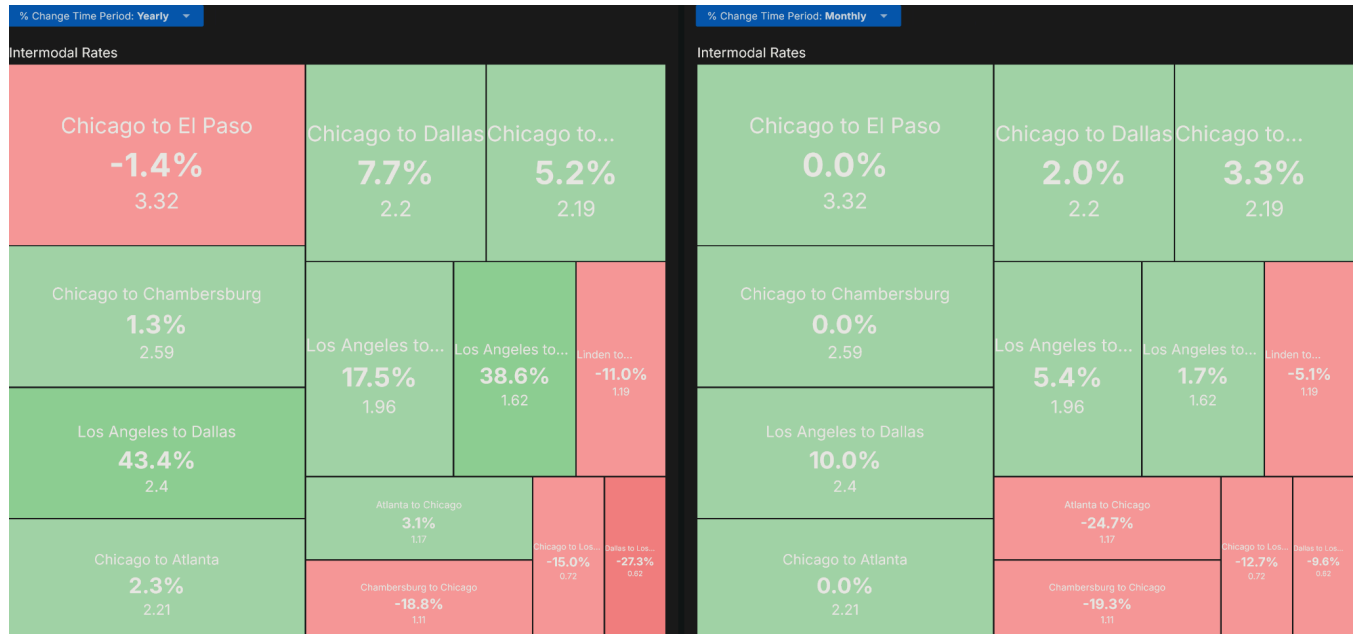


Chart: SONAR. Intermodal spot rates to move 53-foot containers door to door, including fuel surcharges and their respective y/y (left) and m/m (right) changes.

On the other side of the equation, intermodal spot rates suggest that there is almost no need for carriers to protect contracted capacity. In August, the national intermodal spot rate fell even further from July's slide but is now seeing a halfhearted rally. On average, intermodal spot rates are down 1.4% y/y and 5.8% from July's early peak.

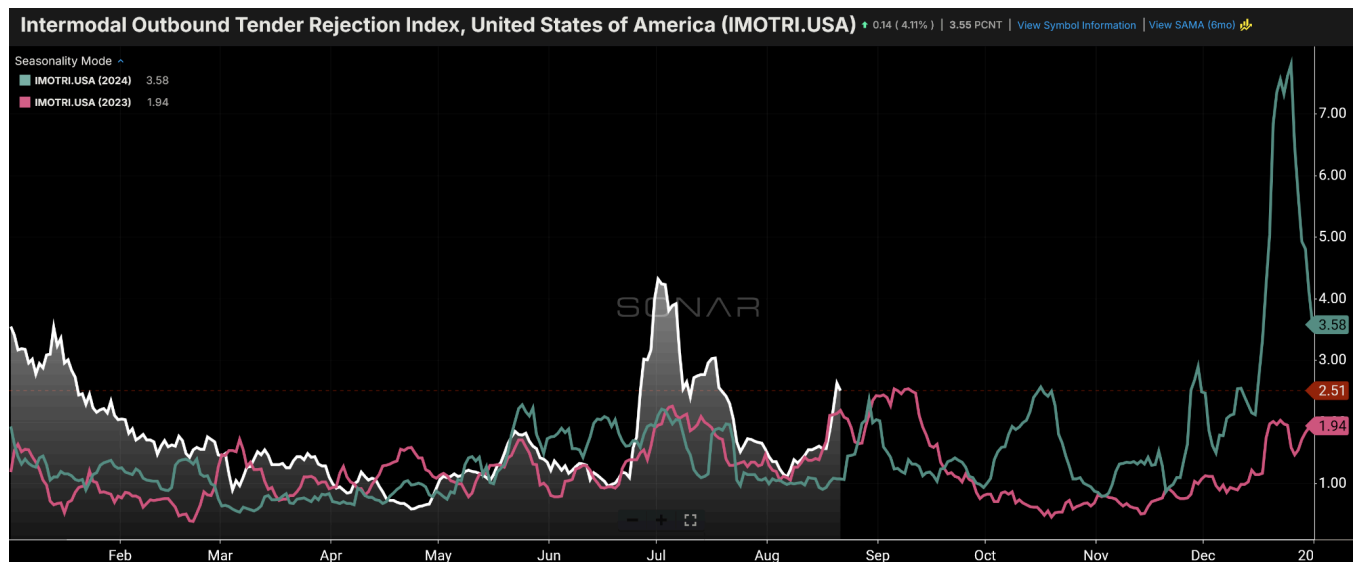


Chart: SONAR. National intermodal outbound tender rejection rates in 2025 (white), 2024 (blue) and 2023 (pink).

Intermodal tender rejections offer a way to gauge service disruptions as carriers often operate on “auto-accept,” especially when contract rates are competitive with spot rates. Intermodal rejection

rates averaged 1.58% in August 2025, down 106 bps from July 2025 but up 55 bps from August 2024, signaling sufficient capacity and improved reliability despite economic headwinds.

What else we're watching

With negotiations still ongoing after the tentative U.S.-China trade deal reached in London during June, officials from both sides agreed on August 10 to extend the existing ceasefire for another 90 days. This extension allows for further discussions on contentious issues, including U.S. restrictions on advanced AI chips and Chinese exports of military-use rare earth magnets. Although no final resolution has yet been announced, anonymous sources indicated progress has been made, with both parties expressing a desire to avoid re-escalation of tariffs beyond the current levels of 55% for the U.S. and 10% for China.

In related trade developments, the U.S. Trade Representative finalized modifications to tariffs on approximately \$18 billion worth of Chinese imports, effective September 27. These adjustments include raising levies on electric vehicles to 100%, semiconductors to 50%, solar cells to 50%, steel and aluminum to 25%, and certain medical products like syringes and needles to 50%. The changes aim to bolster domestic manufacturing and address concerns over subsidies and overcapacity in China, while exemptions were granted for some ship-to-shore cranes and other equipment to allow time for supply chain adjustments.

Recent GDP data provided a positive surprise, with the Bureau of Economic Analysis reporting Q2 growth at an annualized rate of 2.8%, exceeding the consensus forecast of 2.1%. The expansion was supported by robust consumer spending (up 2.3%), nonresidential fixed investment (up 5.2%), and inventory accumulation, though it was partially offset by a drag from net exports amid ongoing trade uncertainties.

Geopolitical risks in the Middle East showed signs of potential escalation in late July when Israel conducted a strike in Tehran that killed a senior Hamas political leader, Ismail Haniyeh, during his attendance at Iran's presidential inauguration. Iran and its proxies vowed retaliation, prompting heightened alerts across the region. The U.S. responded by deploying additional naval forces, including an aircraft carrier strike group and ballistic missile defense-capable ships, to support Israel and deter broader conflict. While no major retaliatory attacks have occurred as of mid-August, the uncertainty contributed to volatility in oil markets, with West Texas Intermediate crude briefly dipping below \$73 per barrel before recovering to around \$76, influenced also by softer global demand projections.

The Federal Reserve maintained its cautious stance on monetary policy at its late-July meeting, holding the target range for federal interest rates steady at 4.25% to 4.5%. Chair Jerome Powell emphasized data dependence, noting that recent cooling in the labor market and progress toward the 2% inflation target could open the door for a rate cut as early as September, provided incoming data aligns with expectations. The updated "dot plot" reflected a modest shift, with a majority of members now projecting at least one cut by the end of 2025, though three still anticipate no changes until 2026.

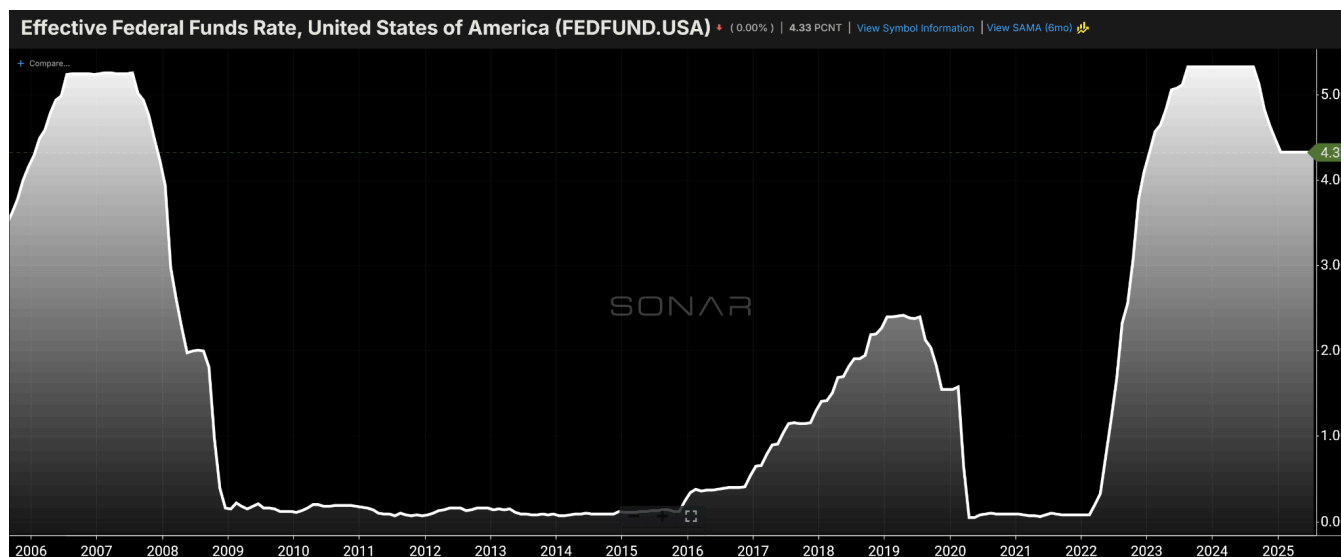


Chart: SONAR. Effective federal funds rate.

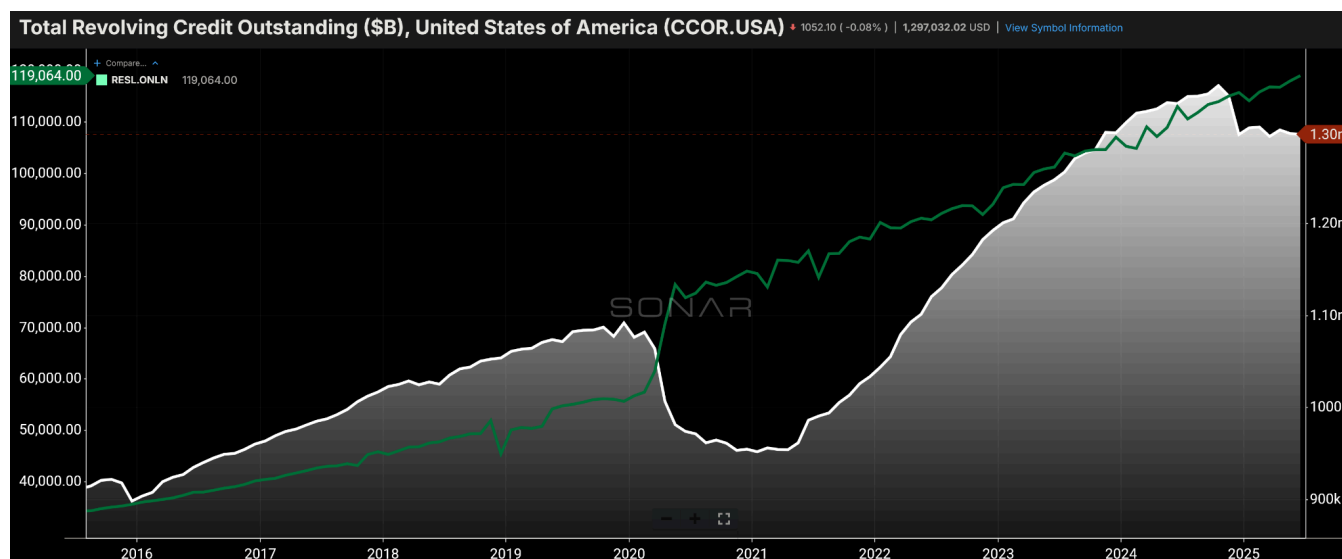
The Federal Reserve's steady approach was, however, undercut by July's payroll data, which indicated a softening labor market. A total of 114,000 nonfarm jobs were added in the month, falling short of the consensus estimate of 175,000 and below even conservative whispers of around 150,000.

Looking beyond the headline, however, there were notable downward revisions to prior months' data. June's growth was revised 27,000 jobs lower to 179,000, while May's print was adjusted from 218,000 to 216,000. The unemployment rate rose to 4.3%, above consensus expectations for it to hold at 4.1%.

Though the transportation and warehousing sector saw growth of 14,000 positions month over month (m/m), this was uneven across subsectors: Couriers and messengers rose by 11,000 jobs m/m, warehousing and storage increased by 6,000 jobs m/m, but truck transportation experienced a net loss of 3,000 jobs m/m.

U.S. retail sales rose in line with consensus expectations in July, signaling resilient consumer spending despite concerns over tariffs and a softening job market. Total retail and food services sales increased 0.5% m/m, though June's initial 0.6% m/m gain was revised up to 0.9% — in this sense, Bank of America's usually omniscient analysts can be justified in their forecast for a 0.8% m/m surprise in July.

Retail's strength was broad-based, with notable gains in motor vehicles and parts dealers (up 1.6% m/m), furniture and home furnishing stores (up 1.4% m/m) and general merchandise stores (up 0.4% m/m) — the latter class buoyed by major retailers' promotions like Amazon's Prime Day, Target's Circle Week and the eponymously named Walmart Deals.



Source: FreightWaves SONAR. Total revolving credit outstanding, in billion USD (white, right axis) versus online retail sales, in million USD (green, left axis).

The Federal Reserve's release of consumer credit data from June told two stories — one less obvious than the other. At first glance, there were no major surprises in the data: Following a \$5.1 billion increase in May, the consensus expectation for June was a gain of \$7.5 billion. At an actual increase of \$7.37 billion, this forecast was nearly spot on. Nonrevolving credit, which includes everything from mortgages to auto loans and student debt, rose \$8.4 billion or at an annual rate of 2.7%. Throughout the second quarter, this growth in nonrevolving credit was driven primarily by student loans (up \$8.2 billion in Q2) and auto loans (up \$5.1 billion).

But the interesting part for the trucking industry (or any consumer-facing industry) concerned the performance of revolving credit — the vast majority of which is credit card debt — in June. Revolving credit outstanding declined by a hair over \$1 billion in June, which marks the second consecutive drop in this series. This trend is notable because this two-month period is the first time since April 2021, when the global economy was still shaking off the impact of the COVID pandemic, where revolving credit contracted twice in a row.

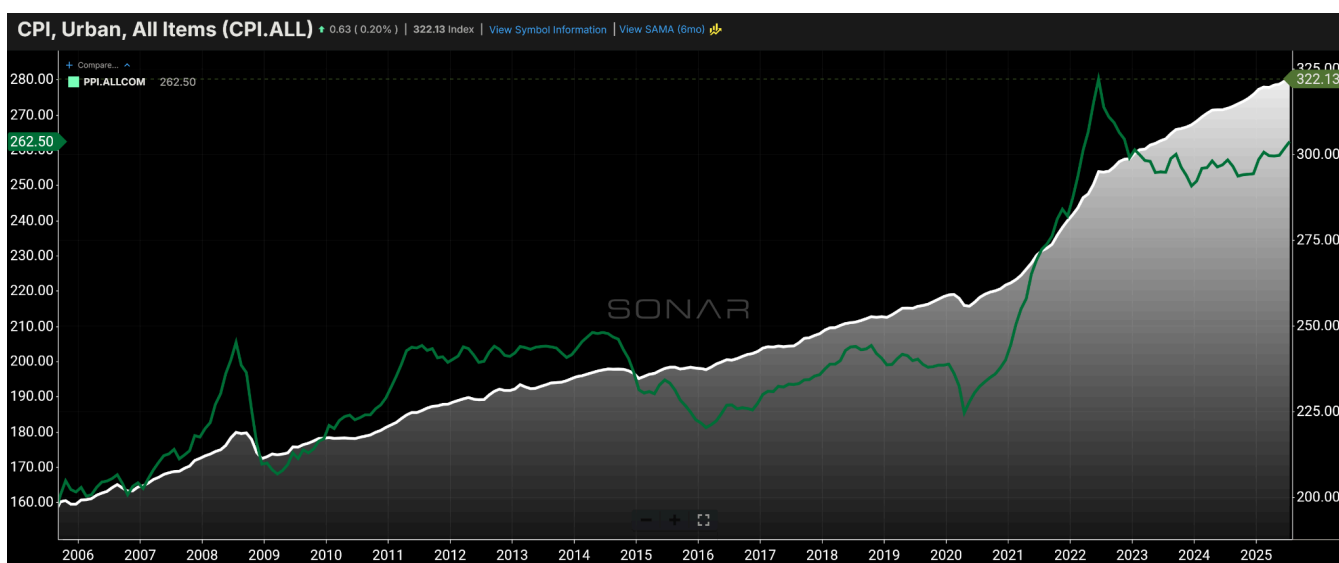
Consumer health remains mixed, with spending propped up by higher-income households even as broader confidence wanes under the weight of geopolitical tensions and trade policies. The University of Michigan's preliminary Survey of Consumers for August showed the index of consumer sentiment falling unexpectedly to its lowest since May, down about 5% from July's final reading amid worries over tariffs, inflation, and job market softening. Recent news highlights suggest that while overall spending has held firm, lower- and middle-income groups are pulling back, raising questions about sustainability if labor conditions deteriorate further.

Yet July proved another month in which the widely dreaded "tariff-flation" — consumer price hikes in response to the Trump administration's broad changes to U.S. trade policy — failed to make a strong appearance. The headline Consumer Price Index rose 0.2% m/m as expected, and was up 2.7% year over year (y/y) — slightly cooler than the 2.8% y/y forecast. July's price data marks a slight decline

from June's 0.3% m/m gain. Furthermore, recent data is nowhere near justifying the fears of Democrats surveyed by the University of Michigan, who predicted inflation of nearly 10% y/y in May.

Critics pointed to the stickiness of core inflation, a category which exempts items with volatile pricing like food and energy. The core CPI rose 0.3% m/m in July, in line with consensus but up from June's 0.2% m/m gain. Yet the primary driver of core inflation was not in goods but in services: Airline fares shot up 4% m/m, the category's largest gain in over three years, while expenses for medical care increased by the most since September 2022. Even so, the core CPI was up 3.1% y/y, drifting further from the Fed's target of 2% y/y price growth.

This uptick in core inflation is, however, unlikely to trouble the Fed at its upcoming meeting in mid-September. Under its chair Jerome Powell, the Fed has dragged its heels on interest-rate cuts due to its concern that unprecedented tariff increases could trigger a resurgence in goods inflation. Yet, after July's release, the Fed is staring down three months of failed predictions that the new tariffs would heavily impact the CPI data. Meanwhile, the labor market looks as though it is about to collapse in the latest data, reinforcing the position of the Fed's critics that it has been too late in cutting rates. The odds for a September rate cut jumped from 84% to 96% after the CPI print; according to CME FedWatch, a majority of interest rate traders now believe that the Fed will slash rates at all three of its remaining 2025 meetings.



Source: SONAR. Consumer Price Index (white, right axis) versus Producer Price Index (green, left axis).

While this data on demand-side inflation was divisive — insofar as different camps argued about the impact of tariffs on price growth — July's release of the Producer Price Index proved even more divisive. For a start, the headline index shot up 0.9% m/m, massively more than the 0.2% m/m gain expected and also the biggest monthly jump since June 2022, when inflation reached its peak of the current cycle. The PPI is now up 3.3% y/y, the highest yearly growth since February. The core PPI, which excludes energy and food, also jumped 0.9% m/m and was up 3.7% y/y.

The catch? More than 75% of July's surprise surge was attributable to the index for final demand services (up 1.1% m/m); specifically, over half of the headline index's growth can be pinned on increasing margins for final demand trade services, which jumped 2% m/m. This index tracks the margins received by wholesalers and retailers for reselling goods without transformation; July's sharp increase indicates higher markups, possibly due to elevated input costs from tariffs or strong demand in sectors like machinery and equipment wholesaling.

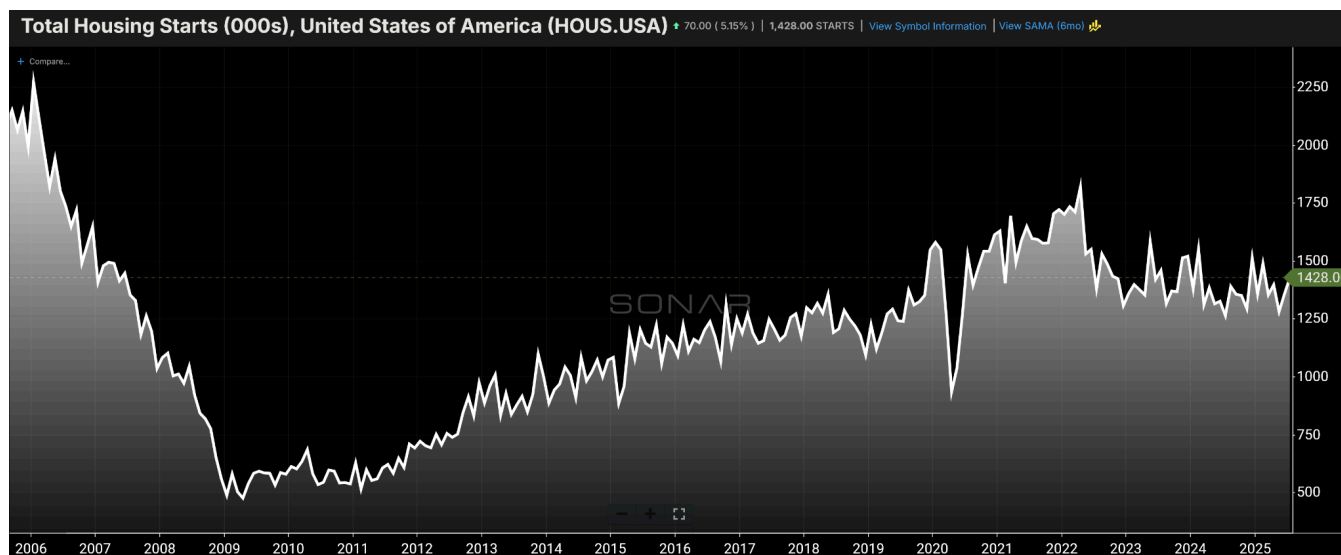
Even so, the index for final demand goods did rise 0.7% m/m, which means that this release was not untouched by tariffs. Most of the inflation here was driven by non-core categories like fresh and dry vegetables (up 38.9% m/m), diesel fuel (up 11.8% m/m) and home heating oil (up 14.9% m/m). Still, this data is hardly the smoking gun for which tariff critics have been looking. While the PPI generally leads consumer inflation by six months or so, this release implies that companies are broadly eating the higher tariff costs while those downstream are exempt from much of the pain.

Since falling from this cycle's peak at 7.79% in October 2023, the average rate on a 30-year fixed mortgage has remained solidly rangebound between 6% and 7%. In 2022-23, rising mortgage rates did not — as they normally do — deter prospective buyers from purchasing homes, given a rare combination of low inventory levels and a nationwide shift to remote work that made rural housing more attractive.

But this dynamic has not held over the past year, as intractably high mortgage rates are now weighing on housing market activity. Per Freddie Mac, the current average rate on a 30-year fixed mortgage stands at 6.58%, 14 basis points lower m/m but 9 bps higher y/y.

Existing-home sales, which comprise the vast majority of home sales in the U.S., slipped in June after May's sole rebound. According to the National Association of Realtors, transactions fell 2.7% m/m at an annualized rate of 3.93 million units. June marked the slowest pace in nine months though sales were flat y/y, with high mortgage rates and record-high prices deterring growth. The median existing-home sales price set yet another record high in June, climbing to \$435,300 and up 2% y/y.

Housing starts saw an unexpected rally in July, though this growth was almost entirely led by multi-family construction. In July, housing starts jumped 5.2% m/m, building on top of June's upwardly revised 5.9% m/m gain and blowing virtually every forecast out of the water. While single-family starts did see a 2.8% m/m bump, the real strength was found in the multi-family segment, in which starts shot up 11.6% m/m and 27.4% y/y — the strongest pace in more than two years.



Source: SONAR. Total U.S. housing starts (in thousands).

“Single-family production continues to operate at reduced levels due to ongoing housing affordability challenges,” said Buddy Hughes, chairman of the National Association of Home Builders (NAHB), “including persistently high mortgage rates, the skilled labor shortage and excessive regulatory costs.” Robert Dietz, chief economist at NAHB, elaborated: “There are currently 621,000 single-family homes under construction, down 1% in July and 3.7% lower than a year ago. This is the lowest level since early 2021 as builders pull back on supply.”

These deteriorating fundamentals were reflected in homebuilder sentiment from August. The NAHB/Wells Fargo Housing Market Index, which surveys builders of single-family homes, ticked down one point to 32. August marked 16 consecutive months of contraction below the no-change mark of 50, reflecting persistent pressures from elevated mortgage rates, weak buyer traffic and supply-side hurdles. This sentiment index has hovered between 32 and 34 since May. The index’s key components showed mixed results: Current sales conditions fell one point to 35, sales expectations for the next six months held steady at 43, and prospective buyer traffic rose two points to 22 (though obviously remaining at historically low levels). This subdued outlook signals broader economic caution, potentially curbing housing starts amid high interest rates and material cost volatility from tariffs and inflation.

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